

# CITY OF LARSEN BAY BULK FUEL FACILITY



## MONITORING PLAN AND RECOMMENDATIONS

Prepared for:  
**THE ALASKA ENERGY AUTHORITY (AEA)**

**JULY 31, 2005**

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Prepared by:

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## OVERVIEW

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This Monitoring Plan and Recommendations was completed under contract to the Alaska Energy Authority as a follow-up to a Bulk Fuel Upgrade project in Larsen Bay, Alaska that constructed a new bulk fuel storage facility with three diesel storage tanks, one gasoline storage tank, one heating oil, dispensing tanks, two marine headers, fuel transfer pipelines and a fuel transfer containment area. A component of the upgrade project was the development of a Business Operating Plan, which provided a guideline for the City of Larsen Bay's maintenance and operation and sustainability of the Bulk Fuel Upgrade (the "Facility"). The City of Larsen Bay, (the "Primary Operator") is responsible to operate and sustain the newly installed Facility according to the criteria and guidelines outlined in the Business Operating Plan.

### *Facility Participant*

The Facility participant is:

#### City of Larsen Bay

Primary Contact Name: *Roy Jones, Mayor*

Phone: (907) 847-2211 Fax: (907) 847-2239

Address: City of Larsen Bay

P.O. Box 8, Larsen Bay, AK 99624

Usage: The City will utilize its Facility assets to operate its utilities and to retail fuel.

### *Facility Components & Capacity*

The following table provides a summary of the tankage, by type of fuel that is included in the Facility upgrade:

Primary Storage/Dispensing	Number	Gallons Per Tank (Gross)	Total Gallons (Gross)	Gallons Per Tank (Net)	Total Gallons (Net)
<b>City</b>					
# 2 Diesel					
Primary Storage	3	25,000	75,000	22,500	67,500
Dispensing	*1	1,500	1,500	1,500	1,500
Subtotal Diesel	4		76,500		69,000
Heating Oil					
Primary Storage	+1	10,000	10,000	9,000	9,000
Subtotal Heating Oil	1		10,000		9,000
Gasoline					
Primary Storage	1	25,000	25,000	22,500	22,500
Primary Storage	+1	15,000	15,000	13,500	13,500
Dispensing	*1	1,500	1,500	1,500	1,500
Subtotal Gasoline	3		41,500		37,500
<b>Total Primary Storage/Dispensing</b>	<b>6</b>		<b>128,000</b>		<b>115,500</b>

In addition to the fuel storage tanks the City of Larsen Bay's bulk fuel facility has a number of pipelines and other key components:

Pipeline/Components	Number
Marine headers	2
Filler pipelines (From header to facility)	2
Marine dispenser on dock	1
Retail Dispenser	1
Dual-fuel retail dispenser	1

\* One Tank with dual capacity for dispensing diesel and gasoline.

+ One Tank with dual storage capacity for heating oil and gasoline.

### ***Community Information***

The village of Larsen Bay is located on the northwest coast of Kodiak Island and is a traditional Alutiiq settlement, which practices a commercial fishing and subsistence lifestyle. The economy of Larsen Bay is primarily based on fishing and employment at Kodiak Salmon Packers.

Transportation to the village is by air or water year-round, with regular and charter flights available from Kodiak. There is a state-owned lighted 2,700' gravel airstrip and a seaplane base. Docking facilities are available and the Corps of Engineers began construction of a breakwater and boat harbor in the summer of 1997. A cargo barge arrives every six weeks from Seattle.

Selected demographic and historical data for the community is provided below:

### ***Selected Statistics – Larsen Bay***

<b>Population</b>	
2000	115
1990	147
1980	168
1970	109
1960	72
1950	53
<b>Housing (2000 Data)</b>	
Occupied Housing	40
Vacant Housing Due to Seasonal Use	28
Other Vacant Housing	2
<b>Economic Data (2000 Data)</b>	
Unemployment Rate	10.26%
Median Household Income	\$40,833

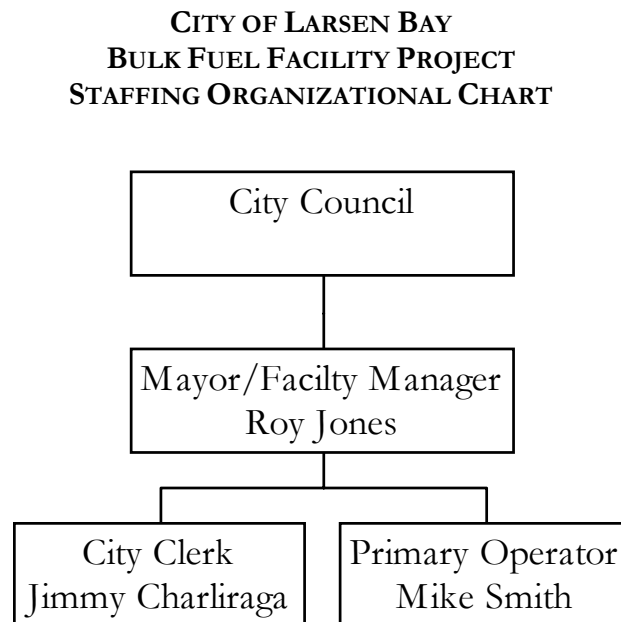
### *City of Larsen Bay*

The City of Larsen Bay manages the following utilities and services: electric, fuel, septic pumping services, sewer, refuse and landfill. Currently, community residents and organizations pay for all of these services. The City owns and operates the electric utility, Larsen Bay Utility Company, which supplies power to residents, commercial users and community facilities. The City maintains the generator plant, monitors electric meters at residences and commercial businesses, and collects electrical fees. Currently, residents are paying 30.0 cents/kilowatt hour for their first 500 kilowatts with PCE. Commercial businesses and those requiring greater than 500 kilowatts pay 40.0 cents/kilowatt with PCE.

The City of Larsen Bay purchases fuel approximately three times a year from Petro Marine. The City typically charges a 25 cent mark-up on all fuel sold. The City owns and operates a fuel truck for delivering heating fuel to homes and organizations.

The City of Larsen Bay directly manages the community's water/sewer and refuse collection services. Currently, residents and community facilities pay \$28.33 per month for these services. While community senior residents pay a discounted fee of \$14.17 per month for these same services.

Since the Business Operating Plan, dated November 17, 2003, was finalized there has been complete staff turnover – including a new city mayor and city clerk. The following chart illustrates the staff relationships of the City of Larsen Bay Bulk Fuel Facility:



### ***Monitoring Site Visit***

The Alaska Energy Authority contracted with Aurora Consulting, of Anchorage Alaska, to conduct a site visit to the City of Larsen Bay Facility and to develop a “*Monitoring Plan and Recommendations*”. The scope of the assignment included working with the City to obtain information on existing management and operational systems, comparing those systems to Business Operating Plan requirements and other “best practices”, making recommendations for changes and/or training, developing on-going monitoring tools, and/or working to cure any deficiencies or defaults experienced by the City.

It should be noted that the City of Larsen Bay has only been operating their facility for a few months, and, as such, have yet to establish all the required business plans procedures.

Aurora Consulting staff member, Ann Campbell, traveled to Larsen Bay June 1, 2005 to meet with City bulk fuel facility management and staff, including:

Contacts	Title
Jimmy Charliraga	City Clerk
Mike Smith	Primary Facility Operator

### ***Monitoring Plan and Recommendations***

The following Monitoring Plan and Recommendations is organized into three sections:

- Management and Operational Skills
- Business Operating Plan Compliance
- Recommendations

Management and operational skills identify those skills and practices that are crucial to the short-term viability of a bulk fuel facility, while Business Operating Plan compliance areas identify those activities that are required by the Denali Commission approved Business Operating Plan.

Management skills include administration, fiscal systems, and collections. Operational skills include the ability to perform maintenance, repair and operation of the bulk fuel facility. Both skill sets require knowledgeable and trained managers, bookkeepers and facility operators to manage and operate the Facility on a daily basis. In contrast, the business operating compliance section details the key activities and actions are required to be completed by the Facility in order to be in compliance with the terms and conditions of their Business Operating Plan.

Additionally, this report includes major recommendations for continued actions and training, which are detailed in the conclusion section of this report. These recommendations are limited to those actions necessary to meet the deficient management and operational skills or Business Operating Plan compliance areas.

## BULK FUEL FACILITY MANAGEMENT/OPERATIONAL SKILLS

### *Financial Management*

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<i>Financial Management Skill Areas</i>
<i>Annual Budget</i>					
			x		Develop and utilize budgeting process
			x		Staff understanding of budget
<i>Bookkeeping</i>					
		x			Develop and track facility costs using a Chart of Accounts
		x			Understands and tracks operation & management (O&M) costs
		x			Understands and tracks renewal & replacement (R&R) costs
<i>Collection Policy</i>					
				x	Policy in place
				x	Policy implemented
				x	Collections at appropriate level
<i>Business Operating Plan</i>					
		x			Policy board has general understanding of Plan and requirements
		x			Management has general understanding of Plan and requirements
			x		Staff has general understanding of Plan and requirements
		x			Management understands financial assumptions and tables
			x		Staff understands financial assumptions and tables
		x			Management capable of annual Plan update
		x			Staff capable of annual Plan update

Comments:

#### *Annual Budget*

The City of Larsen Bay develops an annual budget for all of the City's operating programs and enterprises, including the bulk fuel facility. The city clerk is involved in the annual budgeting process and understands and is able to utilize the budget information to perform his job duties.

#### *Bookkeeping*

The City of Larsen Bay has a Chart of Accounts and is using the Quickbooks software package as its bookkeeping system. It is primarily the Clerk's job to manage the bank accounts, account payables, accounts receivable and other general bookkeeping for all of the City's operations and enterprises.

The City Clerk, Jimmy Charliraga, has attended PCE training, bulk fuel business plan training and is obtaining other business-related training. At the time of our visit, the Clerk had reviewed and generally familiarized himself with the Business Operating Plan and associated financial requirements.

The City Clerk understands the difference between the O &M and R&R costs that must be tracked by separate accounts, as indicated in the Business Operating Plan. The City has not

yet has established separate account codes in the Chart of Accounts for tracking R&R costs. The City has not yet established an R&R interest-bearing account and is not yet making quarterly deposits into the account.

#### *Collections Policy*

The City has a collections policy in place which seems to be working well. Currently, customers who have a strong history of paying their accounts in a timely manner are allowed to purchase fuel on credit. Other customers are required to pay cash for fuel purchases.

#### *Business Operating Plan*

The City Clerk was able to locate and cogently discuss the general terms and conditions of the Business Operating Plan. The Clerk is well informed on the specific requirements of the Business Operating Plan - including the financial requirements, Denali Commission reporting requirements and the Secondary Operator Agreement. Based upon conversation with facility staff, we believe the City Council and Mayor have a more general understanding of the Business Operating Plan, and its requirements.



## *Personnel Management*

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<i>Personnel Management Skill Areas</i>
<i>Job Descriptions</i>					
			x		Job descriptions current for all positions
			x		Staff aware of/understand job descriptions
<i>Staffing</i>					
				x	Staffing adequate to operate & maintain the facility
<i>Training</i>					
		x			Staff has adequate training for job requirements
		x			Ongoing training in place

Comments:

### *Job Descriptions*

Job descriptions do exist for both the City Clerk and Bulk Fuel Operator staff positions; however, the job descriptions have not been updated since the construction of the new facility and implementation of the business plan requirements.

### *Staffing*

It appears that the staffing level of the Larsen Bay bulk fuel facility is adequate to operate and maintain the Facility.

### *Training*

Both the operator and City Clerk appear to have the basic training required for their job duties and functions. However, it appears that the facility operators have not yet obtained any bulk fuel “specific” training; partially due to the time of year that such training has been offered in the past. And, the City Clerk would probably benefit from advanced Quickbooks training, and follow-up training on distinguishing and tracking O&M and R&R costs as well as budgeting and fuel price setting.

Currently, the City of Larsen does not have a pro-active plan for seeking out training opportunities and providing on-going, needed training for staff members.

## Operations Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	Operations Management Skill Areas
<i>General Operations</i>					
			x		Management/staff have general understanding of operation needs
		x			System to schedule tasks for routine maintenance
			x		System to schedule tasks for non-routine maintenance
<i>Inventory Control</i>					
			x		Inventory control system in place
		x			Knows what parts to keep in inventory for routine maintenance
<i>Emergency/ Spill Response</i>					
			x		Staff can explain/locate oil spill response plan
				x	Written safety policy

Comments:

### *General Operations*

Management and staff expressed that they have a good understanding of operational needs and understand what routine maintenance functions need to occur. However, there are not yet established systems to schedule routine maintenance functions. Currently, the City intends to utilize the R&R maintenance schedule contained within the Business Operating Plan as its non-routine maintenance guideline.

### *Inventory Control*

Currently, fuel inventories are being reconciled between the physical inventories taken by the bulk fuel operator and fiscal inventories tracked by the accounting system. Minimal operational supplies are kept specifically for the Facility. This is in part due to the small scale of the Facility, the newness of the Facility, and the design of the Facility - all of which limit the range and quantity of required parts. The facility management should review the efficacy of maintaining specific inventory of facility components.

### *Emergency/ Spill Response*

The City staff was able to locate Emergency/Spill Response plans; however staff was just generally familiar with the conduct of the plans and seemed unclear of their precise roles in the event of an incident.

## BUSINESS OPERATING PLAN COMPLIANCE

### *Financial Management*

Yes	No	NA	<i>Financial Management Compliance Areas</i>
<i>O&amp;M Account</i>			
x			Accounting established
x			Regular deposits into account
x			Systems in place for \$5,000 authorizations
<i>R&amp;R Account</i>			
	x		Accounting established
	x		Regular deposits into account
	x		Interest-bearing savings account
	x		Resolutions required
	x		2 signatures required
		x	Escrow account established
		x	Resolutions required
		x	2 signatures required
<i>Budgets</i>			
x			O&M budget
		x	Prior to fiscal year
x			R&R budget
x		x	Prior to fiscal year
<i>Business Plan Updates</i>			
		x	Review assumptions
		x	Update tables
<i>Audits</i>			
	x		Annual audit conducted by qualified, independent auditor
		x	Copy to Denali Commission
<i>Annual Report</i>			
		x	Submitted to Denali Commission timely
		x	Summary of O&M and R&R Projects
		x	Expenditures and account balances
		x	Upcoming O&M and R&R budgets
		x	Updated business plan financial tables
		x	Other information
<i>Insurance</i>			
x			General liability insurance in place
x			Other insurance in place

Comments:

*O&M Account*

The City of Larsen Bay has an established operating bank account at the 1<sup>st</sup> National Bank of Alaska into which the bulk fuel operating funds are deposited. Currently, the City has established procedures for ensuring that all bulk fuel facility expenses over \$5,000, or not authorized in the budget, must be approved by the governing body. Additionally, it appears that the prices set by the City, and monitored by the City Clerk, are sufficient to collect the required O&M surcharge.

*R&R Account*

The City has not yet established an interest-bearing savings account for its R&R funds, nor is it making required deposits into the account.

*Budgets*

The City of Larsen Bay has only been operating the new bulk fuel facility for a couple of months. As such, the City has not yet established on-going budgeting procedures nor has it updated its annual operating or R&R budgets.

*Business Plan Updates*

The City of Larsen Bay has only been operating the new bulk fuel facility for a couple of months. As such, the City has not yet updated their business plan. However, the City staff is aware that an update needs to be done annually.

*Audit*

The City of Larsen Bay has not had an audit in many years, but the City Clerk is aware of the Denali Commission requirements regarding an annual audit.

*Annual Report*

The City of Larsen Bay has not operated the bulk fuel facility for one year, and therefore is not yet required to submit a report to the Denali Commission. In order to facilitate their annual budget and reporting processes, the City intends to utilize its fiscal year - July through June - for reporting purposes. Therefore, it anticipates submitting its first annual report to the Denali Commission in early fall 2006, when it has received a copy of its 2006 financial audit.

*Insurance*

Currently, the City of Larsen Bay is insured for its bulk fuel facility through the Alaska Municipal League Joint Insurance Association. Additionally, the City does have required workers compensation insurance for its employees.

## *Personnel Management*

Yes	No	NA	<i>Personnel Management Compliance Areas</i>
<i>Facility Manager</i>			
x			Manager designated
	x		Changes reported to Denali Commission
<i>Staffing Adequate</i>			
x			Staffing adequate
<i>Training Plan</i>			
	x		Training plan in place

Comments:

### *Facility Manager*

Roy Jones, City Mayor, is the manager of the Facility. However, this is change from the original business plan, which has not yet been reported to the Denali Commission.

### *Staffing Adequate*

The current level of staff appears to be sufficient.

### *Training Plan*

As mentioned earlier, the operational employees of the facility would benefit from formal training, as would the City Clerk.

## Operations Management

Yes	No	NA	Operations Management Compliance Areas
<i>Facility Components in Good Working Order</i>			
x			Facility components in good working order
<i>SPCC</i>			
x			SPCC on-hand
x			SPCC current
<i>Facility Response Plan</i>			
x			Plan on-hand
x			Plan current
<i>Coast Guard Operations Manual</i>			
x			Manual on-hand
x			Manual current

Comments:

### *Facility Components in Good Working Order*

In general, the facility components appear to be in good working order. However, the City has a few outstanding concerns about the facility, which have been communicated to AEA. The AEA staff has been in frequently contact with the City staff and is aware of pending issues with the facility.

### *SPCC/Facility Response Plan/ Coast Guard Operations Manual*

The City has received its copies of the Facility's regulatory plans and its Operations Manual, which are readily available in the City office.

## RECOMMENDATIONS

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All of the City staff interviewed demonstrated a genuine interest in fully understanding and implementing the Business Operating Plan. We were not, however, able to interview the City management during our field visit. The City staff made themselves available for a thorough site visit to answer questions and review the Business Operating Plan and facility operations. The City staff expressed interest in fully complying with terms and conditions of the Business Operating Plan and managing the Facility in a sustainable manner. However, we have a few recommendations regarding systems, procedures and operations.

The following outlines the systems and procedures that should be addressed by the City, areas that technical assistance/training may be warranted, and operational areas requiring follow-up:

<b>Systems and Procedures</b>	<b>ASAP</b>	<b>Within year</b>	<b>On- Going</b>
Develop procedures for completing & submitting annual reports		x	
Update written job descriptions		x	
Develop financial policies & procedures to track and record O&M and R&R costs	x		
Establish R&R bank account and begin making deposits	x		
Develop a written staff training plan		x	
<b>Technical Assistance</b>			
Updating business operating plan and financial assumptions			x
Using Quickbooks to track O&M and R&R costs	x		
Understanding and updating fuel prices	x		
Preparing and revising budgets		x	
Preparing and submitting Denali Commission report		x	
<b>Training</b>			
Periodic, possibly annually, operations assistance/troubleshooting		x	
<b>Operations</b>			
Develop system to schedule tasks for routine maintenance		x	
Develop system to schedule tasks for non-routine maintenance			x
Improve understanding of what parts inventory to keep		x	

## TRIP PHOTOS

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